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FISCAL IMPACT STATEMENT

LS 6969 **NOTE PREPARED:** Jan 26, 2006
BILL NUMBER: SB 383 **BILL AMENDED:** Jan 24, 2006

SUBJECT: Motor Vehicle Title Loans.

FIRST AUTHOR: Sen. Steele **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) The bill provides that certain lenders may make loans for which the collateral is title to a motor vehicle. This bill provides that the interest rate for a motor vehicle title loan may not exceed 22%. The bill requires a motor vehicle title lender to provide certain warnings to borrowers. This bill sets forth procedures for: (1) repossessing a motor vehicle if a borrower defaults on a motor vehicle title loan; and (2) redeeming the title to a repossessed motor vehicle. The bill also prohibits certain actions by motor vehicle title lenders and imposes penalties for violations.

Effective Date: July 1, 2006.

Explanation of State Expenditures: (Revised) The Department of Financial Institutions (DFI) would see an increase in administrative duties under the bill. The DFI would be authorized to adopt rules to implement the proposed motor vehicle title lender provisions. The DFI has indicated that additional examiners would need to be trained to carry out the regulation of title lending. Based on a significant number of new lenders and potential number of new locations through out the state, the DFI anticipates the need for an additional 10 examiners (PAT IVs) to carry out the administrative provisions of the bill. Costs associated with the additional personnel, including salaries and benefits, are estimated to be approximately $424,000 in FY 2007 and $422,000 in FY 2008. There could also be additional training costs for these new examiners.

Explanation of State Revenues: (Revised) *Department of Financial Institutions:* The Department of Financial Institutions, under current law, has authority to set fees for regulation of financial institutions. The bill provides that the provisions of the article that apply to consumer loans apply to motor vehicle title loans.

The application for a small loan license must be accompanied by an initial loan license fee of $2,000 plus $1,000 for each branch location in Indiana after the first location. If the same fees applied, the following fees could be generated.

According to DFI, there are approximately 50 licensed pay-day lenders with approximately 500 locations in the state. If the allowance of motor vehicle title lenders resulted in a similar number lenders, the license fee revenue per location will generate an estimated $500,000. The small loan license fee of $2,000 would also apply. With an estimated 50 licenses, the fee will generate an estimated $100,000.

Total increased revenue would equal $600,000 per year. Licenses are renewed annually. The renewal fee is $2,000 plus $1,000 for each branch location in Indiana after the first location. License fees are deposited into the Department of Financial Institutions Fund to support the work of the agency.

Civil Penalties: The bill would establish a civil penalty for violations of provisions of the bill on motor vehicle title lenders. Penalties could be assessed in an amount up to $2,000. Assessed penalties would be deposited into the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Financial Institutions.

Local Agencies Affected:

Information Sources: Phil Goddard, Department of Financial Institutions, 232-3955; State of Indiana: *List of Appropriations July 1, 2005 to June 30, 2007*.

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